

Revenue Options for the Wisconsin State Park System

December 1, 2016

Wisconsin Department of Natural Resources

Wisconsin Department of Natural Resources
P.O. Box 7921
Madison, Wisconsin 53707-7921

Table of Contents	Page
Executive Summary	1
Introduction	3
Evaluating Revenue Opportunities	5
Short-Term	
Option A. Demand-Based Campsite Pricing	6
Option B. Demand-Based Park Admission Pricing	9
Option C. Admission Fee Increase	11
Long-Term	
Option D. Campsite Electrification	13
Option E. Individual State Park & Trails Admission Pass	15
Option F. Concession Contracts for Indoor Lodging	17
Option G. Intellectual Property Rights and Partnerships	19
Option H. Voluntary Purchase of a State Park Admission Sticker through Annual Vehicle Registrations	20
Summary / Recommendations	22

Tables

Table 1: Camping Fee Increase Projected Revenue Options	7
Table 2: Demand-Based Park Admission Pricing Projected Revenue	10
Table 3: Admission Fee Increase Projected Revenue	11
Table 4: Midwestern States Campsite Comparison	13
Table 5: Individual Park Admission Pass Projected Revenue	16
Table 6: Vehicle Registration Projected Revenues	21
Table 7: Summary of Projected Revenue Options	23

Figures

Figure 1: Wisconsin State Park System Map	3
---	---

Appendixes

Appendix A: Parks Account Table	25
Appendix B: 2015 Wisconsin Act 55, Section 9132 (4f)	26
Appendix C: References	27

Executive Summary

In Fiscal Year 2016, the Wisconsin State Park System (WSPS) attracted roughly 17 million visitors to its properties, which contributed more than \$1 billion annually to the state's economy.

As part of the 2015-17 Biennial Budget, state tax support (otherwise known as General Purpose Revenue) for the WSPS was eliminated and replaced with higher admission, campsite and trail access fees. This budget action resulted in a projected structural deficit of \$1.4 million per year in the Parks Account. Because of this, the legislature directed the department to study and prepare a report describing options for additional sources of revenue for operating and maintaining state parks.

This report presents recommendations and options to generate additional revenue for the WSPS to solidify the financial health of the Parks Account and expand its customer base. As the park system works to draw new customers to camping and outdoor recreation, the customer base will continue to expand.

Short-term Recommendations

The core of the short-term recommendations would modify current fee structures to be more aligned with local market conditions, demand pricing and consumer needs. It also recommends six properties which account for about 33 percent of total state park attendance - Devil's Lake, Governor Dodge, High Cliff, Kohler-Andrae, Peninsula and Willow River state parks - be categorized as high demand.

Recommendation	Annual Revenue Increase
• Demand-Based Campsite Pricing	\$1,454,100
• Demand-Based Park Admission Pricing	\$1,466,000

Long-term Recommendations

Three long-term recommendations target changing demographic and social trends. The first recommendation proposes an individual admission pass that may be used to access all park and trail properties. This pass would replace the current state park vehicle admission sticker system and somewhat mirror the state trail pass concept. The other recommendations are indoor lodging and partnerships. All of these recommendations will take more discussion to fully understand the implications of shifting the expectations of revenue collection.

Recommendation	Annual Revenue Increase
• Individual State Park Admission Pass	\$15,585,000
• Concession Contracts for Indoor Lodging	\$ 405,000
• Intellectual Property Rights and Partnerships	\$ 2,500,000

Additional Considerations

Additional considerations are also described within this report, and while feasible, these considerations may meet resistance from either customer preferences or high administrative costs. There are also public-private sector considerations that need more examination.

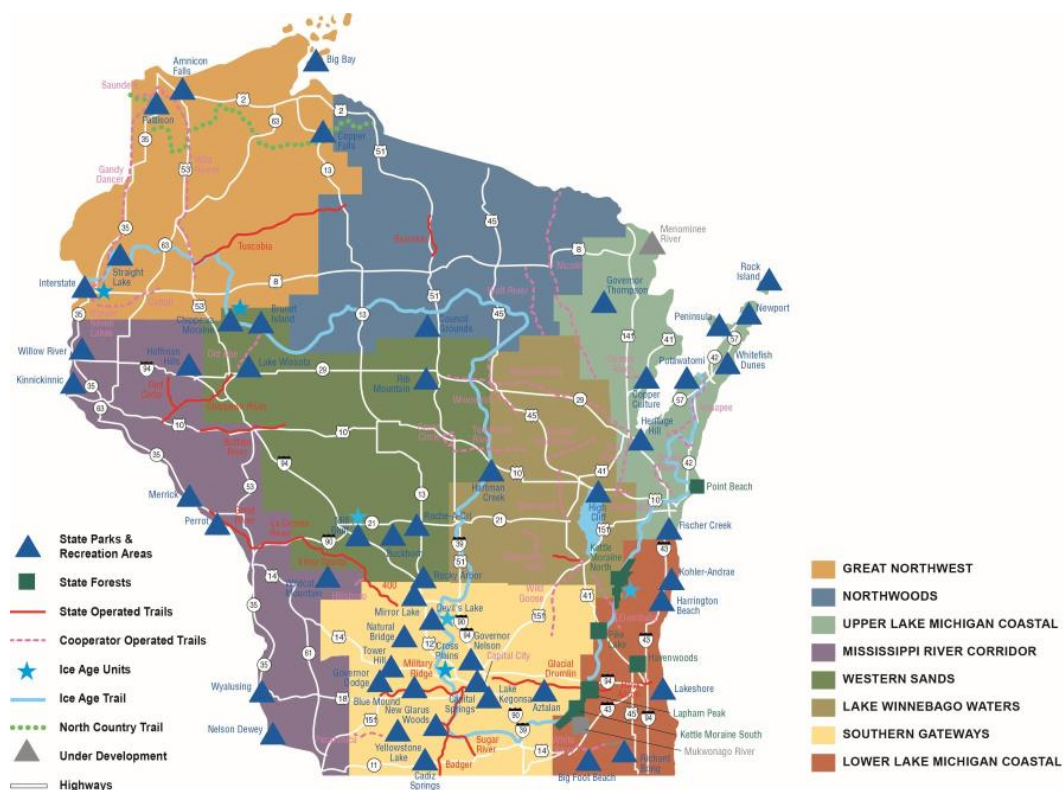
- Admission Fee Increase
- Campsite Electrification
- Admission Sticker Purchase through Annual Vehicle Registrations

Over the past 20 years, funding for operating and maintaining state parks has changed with decreases in General Purpose Revenue and other funding sources related to operations and facility management. Despite funding challenges, the department was able to continue operating state parks across the system, but has been unable to fully maintain facilities at a level needed to stay competitive in a constantly changing market. With the goal to be economically self-sufficient, if additional revenues from these options exceed operating expenses, then the department may explore opportunities to use these funds to address existing and future operational and facility management needs.

Introduction

The Department of Natural Resources (DNR) Bureau of Parks and Recreation operates 73 recreational properties open to the public, including 46 state parks, 14 state trails (another 27 trails are state owned, but locally operated and maintained), seven southern forests and six recreation areas. In addition, some properties are owned by the state and operated by local units of government (such as Copper Culture State Park) or nonprofit organizations (such as Heritage Hill State Park) as shown in Figure 1. Other properties have been designated by the Natural Resources Board, but are not developed or are under development and property operation remains largely unfunded with only limited services provided. The recreational properties managed by park staff contain 5,090 campsites, 1,400 acres of picnic areas, and 32 properties containing approximately 21 miles of beaches. In Fiscal Year 2016, the Wisconsin State Park System (WSPS) has attracted roughly 17 million visitors to its properties, which contributes more than \$1 billion (2013 USD) annually to the state's economy.

Figure 1: Wisconsin State Park System Map



Wisconsin State Park System Purpose Statement:

To protect and enhance the natural and cultural resources of our Wisconsin State Park System properties while providing high quality recreational and educational opportunities and programs.

The Bureau of Parks and Recreation has two main funding sources: the Forestry Account funds the southern state forests while the Parks Account funds all other remaining properties. As shown below, the top three revenue sources for the Parks Account are camping fees, resident park admission fees and nonresident park admission fees.

3-year Average of Parks Account Revenues (Fiscal Years 2013-15)

	<u>Revenue</u>	<u>% of Total</u>
Camping Fees	\$ 6,800,500	43%
Resident Park Admissions	\$ 5,349,500	34%
Nonresident Park Admissions	\$ 1,615,400	10%
Trail Admissions	\$ 1,035,200	7%
All Other Revenue	\$ 1,001,600	6%
Total Revenue	\$15,802,200	100%

As part of the 2015-17 Biennial Budget, General Purpose Revenue for the WSPS was eliminated and replaced with higher admission, campsite and trail access fees. This budget action resulted in a projected structural deficit of \$1.4 million per year in the Parks Account as summarized in Appendix A. To remedy this situation, the legislature directed the department to study and prepare a report describing options for additional sources of revenue for operating and maintaining state parks. The statutory language, as described in Appendix B, requires this report will be completed on or before December 1, 2016.

Since the mid-1960s, reports such as State Parks Funding: Alliances for Our Future (1994) have been produced that have examined state parks funding needs and options. Despite funding challenges, the department continued to effectively operate state parks. This report continues the dialogue on funding options within a new structural framework.

Evaluating Revenue Opportunities

There are several revenue options for consideration to modify the current framework of vehicle admission fees camping fees, and state trail passes to generate additional revenue. However, several demographic trends should be considered when evaluating these options which include:

- Increases in ethnic diversity
- An aging population
- Generational expectations

The increase in ethnic resident and visitor diversity is changing the variety of recreation desires unique to different ethnic groups.

In addition to the increased ethnic diversity, millennials are on the cusp of changing outdoor recreation needs with improving technology, social media and transportation alternatives. All of these new park trends will require a “rebooting” of park operations to attract new users. For example, millennials are moving away from cash and toward credit/debit cards, with 51 percent using them for purchases less than \$5. In addition, the next big transition for this generation is from credit/debit cards to mobile electronic device payments. The Wisconsin State Parks System must adjust to these changing trends.

In past studies of the state park system, visitors have been surveyed on park fees, amenities and congestion. In general, park users are willing to pay more for services and maintenance if they are kept at current or better standards.

Taken either as stand-alone choices or combined with other opportunities, there are several options that could be considered with the objective of generating funding levels for the WSPS that are adequate, consistent from year to year, and sustainable. The options evaluated are:

Short-term Options

- A. Demand-Based Campsite Pricing
- B. Demand-Based Park Admission Pricing
- C. Admission Fee Increase
- D. Campsite Electrification

Long-term Options

- E. Individual State Park Admission Pass
- F. Concession Contracts for Indoor Lodging
- G. Voluntary Purchase of a State Park Admission Sticker Through Annual Vehicle Registrations
- H. Intellectual Property Rights and Partnerships

Option A. Demand-Based Campsite Pricing

Summary

Expand the property campsite classification structure to charge more for high demand sites. As part of this, enact fee increases ranging from \$2 to \$10 per night.

Background / Description of Funding Mechanism

State park system properties contain 5,090 campsites which include sites currently being developed and 1,091 southern forest campsites. Wisconsin utilizes a nightly fee for use of a campsite ranging from \$16 to \$35 per night depending upon the popularity of the park and campsite as defined within a property classification system. This classification system recognizes user demand and preference when setting these prices. Currently the combination of these pricing options generates a total of around \$6.8 million annually in total camping fee revenues.

State statutes provide the department with flexibility to charge additional camping fees beyond the base fees. For example, the Department Secretary can independently increase per night charges by \$5 for certain sites. Additional fees of \$3 per night can also be charged for certain high demand campgrounds.

To assess a differential pricing mechanism, the following statement was asked in a past park visitor survey (Marcouiller, et al. 2002) as part the Wisconsin State Park Gateway Study: "Increases in the parks budget should come from higher campsite fees." Overall responses (55 percent) were positive to neutral for this statement.

To increase revenues, slight adjustments in the classification structure along with moderate fee increases can provide a predictable revenue stream for the state park system. In addition, a larger fee increase for high demand camping properties is recommended. Six properties that are in close proximity to high population centers and offer unique natural features - Devil's Lake, Governor Dodge, High Cliff, Kohler-Andrae, Peninsula and Willow River state parks - account for about 33 percent of WSPS attendance can be categorized as high demand.

Projected Revenue

Two revenue projections are presented for demand price camping comparisons in Table 1. With all of these projections, a three-year average for campsite occupancy rate was used to base fee calculations. Within all of these comparisons the property classification system remains. As shown in Option B, projected revenues may cover the estimated structural imbalance.

Table 1: Camping Fee Increase Projected Revenue Options

Option A. Increases of \$5 for high demand and \$2 on lower demand campsites under current existing statutory authority to set fee increases.

<u>Demand Category</u>	<u>Fee Increase</u>	<u>Totals</u>
		\$6,800,500*
High	\$5	\$ 678,400
Medium	\$2	\$ 293,000
Low	\$2	\$ 27,600
Total		\$7,799,500

*Current Camping Revenues

Option B. Increase of \$10 for selected high demand properties and no increase on lower demand.

<u>Demand Category</u>	<u>Fee Increase</u>	<u>Totals</u>
		\$6,800,500*
High	\$10	\$1,454,100
Medium	-	-
Low	-	-
Total		\$8,254,600

*Current Camping Revenues

Implementation

A number of small, one-time administrative costs would be associated with these increases. These costs would include updating some printed materials and camping reservation system changes. Also, because camping reservations are taken up to 11 months in advance, it will require a 6 to 9 month roll out and lead time to fully implement these changes to see the full potential of increased revenues.

Net Revenue Summary / Fiscal and Demand Impacts

To meet increased revenue goals, the camping revenue stream could generate an additional \$1,454,100 annually. To meet this goal, a combination of fee increases within a price range of \$2-\$10 per camping night is needed. It is possible the fee increase may meet consumer price resistance, but as past examples have shown, this consumer resistance is for a short period.

Recommended State Statute / Administrative Rule / Policy Changes

- Department Secretary approval for a camping fee increase of \$2 to \$5 as currently set within Chapter 27.01 Wis. Stats. (Option A, Table 1)
- Modification of the high demand campsite fee to \$10.00 as set in Chapter 27.01 Wis. Stats. would be required. (Option B, Table 1)



Camping at Peninsula State Park

Option B. Demand-Based Park Admission Pricing

Summary

Increase the annual and daily admission for high demand properties. This increase may generate up to \$1,446,000 of additional revenues to the Parks Account.

Background / Description of Funding Mechanism

A new demand-based pricing structure would consist of establishing a targeted price increase of \$5 to \$10 towards the higher demand properties on a year-round basis. This pricing effectively reduces crowds and time spent in lines while at the same time improving the quality of the user experience by reducing environmental impacts and improving access to parks with less congestion.

Demand-based pricing can also be used to improve brand identity in particular markets. This is called price-quality signaling because the higher price signals to consumers the product is higher in quality and also allows a local community to leverage this concept.



Devil's Lake State Park visitors often experience congestion and parking overflow issues

Currently the admission structure does not include demand-based pricing so the admission fee to all parks is roughly equal. Creating this type of fee structure would help manage capacity at these properties ensuring a high quality user experience is offered. South Carolina State Parks has successfully been using a demand-based fee structure for managing capacity issues and maintaining a quality visitor experience.

Within the WSPS, six properties - Devil's Lake, Governor Dodge, High Cliff, Kohler-Andrae, Peninsula and Willow River state parks - can be categorized as high demand. Proximity to high population centers and unique natural features establish these parks in a high demand category. Attendance at these parks accounts for about 33 percent of the total state park system.

Under the current vehicle sticker system, this high demand category pricing would be done by sticker color difference or by an additional sticker or notation.

Projected Revenue

Revenue projections are presented in Table 2 and are based upon a \$5 and \$10 increase across average annual and daily vehicle admission fees. Combined, this fee increases may provide up to \$1,446,000 of increased annual revenues.

Table 2: Demand-Based Park Admission Pricing Projected Revenue

	<u>Number of stickers</u>	<u>Demand Fee</u>	<u>Revenue Increase</u>
Annual Admission	101,103	\$10.00	\$ 727,900
Daily Admission	147,624	\$5.00	\$ 738,100
		Sub total	\$1,446,000
		Current admission sticker annual revenues	\$6,964,900
		Total	\$8,430,900

Implementation

A number of small, one-time administrative costs would be associated with these increases. These costs would include updating some printed materials and fee schedules. In addition, sticker differentiation is required under the current system. These fee increases would be done on a calendar year basis.

Net Revenue Summary / Fiscal and Demand Impacts

Both annual and daily admission fees provide a predictable income stream to the Parks Account. It is possible the fee increase may meet consumer price resistance, but as past examples have shown, this resistance is usually for a short period.

Recommended State Statute / Administrative Rule / Policy Changes

- Modification to all annual and daily pass fees set in Chapter 27.01 Wis. Stats. would be required.

Option C. Admission Fee Increase

Summary

Increase the annual admission fee by \$4 and the daily admission fee by \$2. New annual admission fees would range from \$17 to \$42, while new daily admission fees would range from \$5 to \$13. This increase may generate up to \$1,687,400 of additional revenues to the Parks Account.

Background / Description of Funding Mechanism

Wisconsin currently utilizes an annual or daily state park admission fee pass that is a point-of-sale transaction at either a state property or department service center. Annual Daily admission fees range from \$13 to \$38, while daily admission fees range from \$3 to \$11. These price ranges are based upon resident, nonresident and senior pricing structures. The pass is affixed to a vehicle windshield which allows entry to a property. Annual passes are effective for a calendar year while the daily pass is valid on the day of purchase. Within the current point-of-sale system, the Parks Account generates approximately \$6.9 million annually in admission fees from 350,000 resident and nonresident vehicle sticker sales.

Projected Revenue

Revenue projections are based upon a \$4 annual and \$2 daily increase across all vehicle admission fees shown in Table 3. Combined, these fees may provide up to \$1,687,400 of increased annual revenue.

Table 3: Admission Fee Increase Projected Revenue

<u>Category</u>	<u>Annual Admission</u>		<u>Daily Admission</u>		<u>Revenue Increase</u>
	<u>Current Rate</u>	<u>New Rate</u>	<u>Current Rate</u>	<u>New Rate</u>	
Resident	\$28	\$32	\$8	\$10	\$936,800
Nonresident	\$38	\$42	\$11	\$13	\$459,800
Resident Senior	\$13	\$17	\$3	\$5	\$146,800
Reduced Rate	\$16	\$20	n/a	n/a	\$144,000
				Sub total	\$1,687,400
Current three year average admission revenues					\$6,964,900
			Total		\$8,652,300

Implementation

A number of small, one-time administrative costs would be associated with these increases. These costs would include updating some printed materials and fee schedules. These fee increases would be done on a calendar year basis.

Net Revenue Summary / Fiscal and Demand Impacts

Both annual and daily admission fees provide a predictable income stream to the Parks Account. It is possible the small fee increase may meet consumer price resistance, but as past examples have shown, this resistance is for a short period. To meet possible future structural imbalances, this fee increase may have to be combined with other options to make up any additional shortfalls.

Recommended State Statute / Administrative Rule / Policy Changes

- Modification to all annual and daily admission fees set in Chapter 27.01 Wis. Stats. would be required.



Examples of past annual Wisconsin State Park Vehicle Admission Stickers

Option D. Campsite Electrification

Summary

In order to capitalize on the high demand for electrical service at campsites, repeal the statutory caps on the number of state park campsites that can have electrical receptacles. The department would use customer demand and policy discretion to set the availability of electric sites on a park-by-park basis. Assuming a 75% electric site rate, this option would generate an estimated \$1,810,900 annually in campsite reservation fees.

Background / Description of Funding Mechanism

Current state law limits state park campgrounds from offering more than 30 percent, (1,172/3,897 campsites) of electric sites system wide, with a 50 percent cap for any individual state park. This means Wisconsin's state parks have one of the lowest rates of improved campsites in the Midwest and the United States. Most other states have 70 percent or more of their campsites with electrical receptacles as shown in Table 4.

Table 4: Midwestern States Campsite Comparison

<u>State</u>	<u>Campsites Electric</u>	<u>Campsites Non-Electric</u>
Ohio	9,089 (99%)	55
Indiana	7,102 (92%)	599
Minnesota	4,012 (87%)	580
Iowa	4,353 (88%)	570
Michigan	12,946 (80%)	3,175
Illinois	7,588 (78%)	2,160
Wisconsin	1,172 (23%)	3,897

At the time this cap was established, electrical service was seen as an extra or a luxury that typical campers didn't want or need. However, in today's camping world, the typical camper, and especially new campers, view electrical service as a basic necessity. The common feedback received is that electrical service is expected at campgrounds to operate many common electrical and medical devices routinely used by the majority of visitors. Reflecting this view, many of the electrical sites in the system are booked 11 months in advance and are rarely available to newer campers.

Repealing the statutory caps would add at least another 1,750 electrical sites. This would improve the camping experiences of many without displacing campers who desire more rustic experiences. New electric campsite opportunities could be accomplished by converting certain existing non-electric campsites to sites with electric service, or by developing new sites at appropriate locations. These changes effectively increase the allowable percentage of electrical sites and also ensure a sufficient number of campsites remain rustic by statute.

Projected Revenue

Under the current camping fee structure, a \$10 per night fee is charged for electrical sites. If the department established a 75 percent electric site rate (1,750 additional electric sites) with average existing occupancy rates at all properties, then an additional \$1,810,900 per year may be generated for the Parks Account.

Implementation

An average project cost for electrification is approximately \$4,000 per campsite. Adding 1,750 electrical sites, for instance, would cost roughly up to \$7,000,000. The build out of these sites would be phased over time with the intent to use additional revenues generated from campsite electrification to fund future electrical expansion.

Net Revenue Summary / Fiscal and Demand Impacts

Currently, customers pay an additional \$10 per night for sites with electrical service. Assuming a typical occupancy rate for electrical sites of approximately 68 percent during the 191-day camping season, it could be estimated that each site equipped with electrical service could generate additional net operating revenues of approximately \$770 per season to the Parks Account. If 1,750 sites were upgraded or developed, increased revenues could total approximately \$1,810,900 annually, with operating costs of approximately \$463,700, for net increased revenues of approximately \$1,357,200 annually.

Recommended State Statute / Administrative Rule / Policy Changes

- Repeal sec. 27.01(15)(b), Wis. Stats.
- Repeal sec. 27.01(15)(b)3, Wis. Stats.

Option E. Individual State Park & Trails Admission Pass

Summary

An individual admission pass would replace the current vehicle admission sticker and state trail pass. This pass would be used to gain access to all state park fee properties with a variable pricing structure based upon amenities. Projected gross revenues could range from \$12 million to \$15 million per year.

Background / Description of Funding Mechanism

Currently, Wisconsin has 4.2 million residents age 16 and older; and about 28 percent of these residents visit a state park or trail on a regular basis.

Recent department surveys about state natural areas, fishery areas and wildlife properties suggest users are willing to pay access fees to use a property. This logic can be extended to state park and recreation areas as well.

Wisconsin currently utilizes annual or daily state park admission stickers that are a point-of-sale transaction at either a state property or department service center, or a conservation patron license component. The admission sticker is affixed to a vehicle windshield which allows entry to a property. Annual stickers are valid for a calendar year while the daily admission sticker is valid on the day of purchase. Within the current point-of-sale system, the Parks Account generates approximately \$6.9 million annually in admission fees from 350,000 vehicle stickers.

The current system already requires an individual annual pass for use of certain state trails in the WSPS. On average, about 100,000 passes are sold per year, a Wisconsin resident subscriber rate of 2.3 percent.

A new multi option pass would be offered at different pricing levels for property access options. For example, if a person were to only visit low-amenity properties, a limited pass fee would be set versus higher rates for more fully-developed properties. Passes would be incorporated into the department's "Go Wild" license system with either a driver's license or a conservation card that identifies the pass.

This current system would be replaced with an individual pass that would allow access to all fee-based properties. The existing state trail pass system could be incorporated into the enhanced pass option to maintain or increase subscriber rates.

Projected Revenue

Revenue projections are based upon a Wisconsin subscriber rate of 20 percent, or about 840,000 passes sold in a given year to people age 16 and older. In addition, a nonresident pass would also be established at a higher rate, and for these projections an additional \$1.5 million is added.

Table 5: Individual Park Admission Pass Projected Revenue

<u>Fee Pass</u>	<u>Subscribers</u>	<u>Revenue Projection</u>
Resident – Partial (\$15)	600,000	\$ 9,000,000
Resident – Full (\$20)	240,000	\$ 4,800,000
Nonresident - (\$25)	71,400	\$ 1,785,000
Total	840,000	\$15,585,000
Three year average vehicle admission pass + trail pass total:		\$ 8,030,100

Implementation Cost Estimates

The individual admission pass would require a complete overhaul of the current admission system and would discontinue the current vehicle stickers and state trail passes. If the department's "Go Wild" system is utilized, it would require a six to 12 month lead time with moderate startup costs. Point-of-sale locations within state parks and other locations would need to be updated. In addition, there would be annual transaction and short-term marketing costs.

Annual Transaction Costs	\$200,000 – \$400,000
Short-term Marketing Costs	\$150,000 – \$200,000
Total	\$350,000 – \$600,000

Net Revenue Summary / Fiscal and Demand Impacts

The individual admission pass model may provide a predictable income stream to the Parks Account. With moderate subscriber rates, revenues of \$12 million to \$15 million per year may be reached. There is a transition cost and time factor that is part of this option. To meet possible future structural imbalances, this fee structure may be combined with other options to make up any additional shortfalls.

Recommended State Statute / Administrative Rule / Policy Changes

- Elimination of the annual and daily vehicle admission sticker and establishment of an individual park pass, trail pass and fee structure in Chapter 27.01 Wis. Stats. would be required.

Option F. Concession Contracts for Indoor Lodging

Summary

Expand authority at state park properties to privately contract overnight accommodations for state park users. This authority would make Wisconsin competitive with other state park systems that offer these types of facilities to coexist with private campgrounds and innkeepers. Indoor lodging would be located in selected state parks and recreation areas by contracting with private lodging suppliers and operators.

Background / Description of Funding Mechanism

Indoor lodging options are commonplace in most state park systems throughout the country. In Wisconsin, state law presently allows indoor lodging to be built on state park properties if the lodging exclusively serves persons with disabilities.

Under this option, state law changes would allow for expanded lodging authority to provide small cabins, tiny homes and limited group-style cabins within state parks. The department would contract with concessionaires to initially construct, operate and maintain these facilities with a fee paid to the department. The state bid process would be used to identify the contract rate of potential contractors for indoor lodging at identified properties. This reliance on private businesses would offer additional economic benefits to business owners while also resulting in revenue to the Parks Account through a contracted percentage.

Lodging price options would be set within the national averages of \$49 to \$210 a night depending upon the location and facility.

Projected Revenue

Each facility may gross approximately \$13,000 to \$14,000 per year assuming a 243-day season (open April through November), a 70 to 75 percent occupancy rate, and a nightly rate that could range from \$50 to \$100. Using an average of \$13,500 with an estimate of 120 cabins initially built throughout the state park system, gross revenues would average about \$1,620,000 annually.

If the department takes an annual lease fee percentage, additional Parks Account revenues would increase up to \$405,000 annually.

Implementation

This recommendation would not require an upfront investment by the department. Contracts with private contractors or concessionaires would be used to build and operate indoor lodging.

The indoor lodging would be located near existing campgrounds where potable water and shower facilities are currently available. If necessary, the department may install vault toilets to service indoor lodging. These costs would be negotiated between the concessionaire and the department.

Net Revenue Summary / Fiscal and Demand Impacts

Net revenues may reach \$405,000 annually on the initial build out. Lease options would run from 10 to 15 years, with resulting long-term gross revenue of up to \$4,050,000.

Recommended State Statute / Administrative Rule / Policy Changes

- Modification to lodging parameters set in Chapter 27.01 Wis. Stats.



A typically rustic style camper cabin that is available at Iowa, Illinois, Indiana, Michigan, Minnesota and Missouri State Parks

Option G. Intellectual Property Rights and Partnerships

Summary

Secure intellectual property rights to all state park system names and important features through trademark and copyright patents. Brand control and royalty revenue can be established with merchandising and other revenue generation opportunities. In addition pursue sponsorships, donations and advertisement that support the department mission centered on the state park brand.

Background / Description of Funding Mechanism

Recently the National Park Service placed a \$3.5 million value on the intellectual property rights attached to names of lodges in Yosemite National Park. The issue of trademarking attached to properties in the National Park System arose last year when a concessionaire notified the Park Service that it held "intellectual property" rights in the form of trademarks attached to lodgings in the park.

For the department to not be put in that position, opportunities should be explored that place values on state park assets that can be used to enhance concession opportunities. These assets can be defined into fixed and intellectual assets, and then identified as a core set of assets for trademark protection (e.g. a Wisconsin state park's name). This protection would then be leveraged to expand and enhance concession opportunities for the WSPS. These assets would have a value as part of "Other Property" concessionaires would have to purchase as a non-exclusive license for their use.

In addition, the department can work towards statutory changes that enable an accountable, clear and limited path for WSPS sponsorships and advertising. For example, an organization could donate infrastructure development such as a building, a room within a building or a trailhead sign in exchange for expressed acknowledgement of their donation.

Projected Revenue

While asset classes would need to be identified, the highest visited state parks should be reviewed first for asset protection. While revenue projections are difficult to predict, recent national examples suggest that \$1,500,000 - \$2,500,000 in trademark and royalty revenues can be a target goal.

Recommended State Statute / Administrative Rule / Policy Changes

- Develop and implement contract language that grants to a concessioner accepting a revocable, nonexclusive worldwide, royalty-free license to use the asset identified for a specific use.
- Create statutory authority to authorize and encourage the WSPS to solicit donations, sponsorships and advertisement to support operations.

Option H. Voluntary Purchase of a State Park Admission Sticker through Annual Vehicle Registrations

Summary

Enable a new park admission system by which an annual state park entrance sticker can be purchased voluntarily through the annual motor vehicle registration process administered by the Department of Transportation. The park sticker admission fee would be offered at a low price point to encourage a higher number of sales. With a price range of \$12 to \$15, about 1.1 million vehicles would need to opt-in to the new system to meet state park revenue needs.

Background / Description of Funding Mechanism

Wisconsin currently utilizes an annual or daily state park pass that is a point-of-sale transaction at either a state property or department service center. The pass is affixed to a vehicle windshield which allows entry to a property. Annual passes are for a calendar year while the daily pass is valid on the day of purchase. Within the point-of-sale system, in Fiscal Year 2015, Wisconsin generated around \$4.4 million in resident admission fees from about 420,200 vehicle stickers (about a 5 percent subscriber rate.) In addition, around \$2.5 million was generated from nonresident admission fees.

Under a new purchase system, the annual admission pass would be tied to the annual vehicle registration. This process is done in four other states in which most residents are asked to “opt-in” to purchase an annual state park admission pass. The annual admission pass in other states is either visually designated on the annual license plate sticker or it is a separate sticker affixed to the vehicle’s windshield. There is also a designation on the vehicle’s registration that indicates a purchase of an annual admission pass.

To implement this process, the Department of Transportation would be required to adjust a number of annual vehicle registration forms and applications to collect a fee for state park admission. In addition, DNR would also continue the current point-of-sale locations that would be connected to a master account. Fees would be collected on a rolling basis with the vehicle month registration acting as the renewal date, thus eliminating an expiration of the annual admission pass at the end of the calendar year.

Projected Revenue

Wisconsin has approximately 5.1 million noncommercial automobiles and light trucks that can be considered a potential subscriber for a state park admission. As shown in Table 6, subscriber rates will have to at least double from current levels to meet current funding needs.

Table 6: Vehicle Registration Projected Revenues

<u>Subscriber Rate % of Total Vehicles</u>	<u>Annual Base Revenues</u>	<u>Projected Annual Revenues</u>	
		<u>\$10</u>	<u>\$15</u>
5%	\$6,964,900*	-	-
12%	-	-	\$7,040,800
16%	-	-	\$9,387,800
20%	-	\$7,401,900	\$11,734,700
24%	-	\$8,882,300	\$14,081,732

*Current subscriber rate and annual revenues.

Implementation

To implement this new system, a number of startup and ongoing maintenance costs will be required. As other states have experienced, transaction costs may climb to 5 percent of the purchase price to cover overhead and Department of Transportation costs. In addition, significant staff time and dollars would need to be invested to promote and market the annual vehicle registration sticker.

Annual Transaction Costs	\$651,000 – \$980,000
Short-term Marketing Costs	\$150,000 – \$200,000
Total	\$801,000 – \$1,180,000

Net Revenue Summary / Fiscal and Demand Impacts

To meet a revenue goal of \$6.9 million per year, a combination of high subscriber rates within a price range of \$10 to \$15 is needed. While the cost of an annual pass will be reduced to a nominal range, there may be enough price elasticity to increase sales. Recent examples from Michigan suggest subscriber rates after 5 years may reach 30 percent when admission fees are within a \$10 to \$12 range. If this same logic were to apply to Wisconsin, a base subscriber rate of 20 percent is needed to meet revenue needs. This would equate to having about 1,086,600 vehicles registered on a yearly basis, or a three times increase from the current system.

Recommended State Statute / Administrative Rule / Policy Changes

- Modification to the resident annual admission pass fee amount and eliminate Daily, Senior Annual, Senior Daily and Reduced Price Annual admission passes set in Chapter 27.01 Wis. Stats. would be required.

Summary / Recommendations

A number of revenue generation options may increase the balance of the Parks Account. Actions on these options can be split into short- and long-term timeframes. Strategic choices made in the short-term can result in immediate revenue increases and should be acted upon or started in the near future. In the long-term, promising opportunities exist to position the Parks Account for future growth.

Short-term Recommendations

- A. Demand-Based Campsite Pricing.** Continue the three tier pricing structure to charge more for high demand campsites. As part of this recommendation, enact fee increases from \$2 to \$10 per night that will generate up to \$1,454,100 annually.
- B. Demand-Based Park Admission Pricing.** Increase the annual and daily admission stickers for high demand category properties. This increase will generate up to \$1,466,000 of additional revenues to the Parks Account.

Additional Short-term Options

- C. Admission Fee Increase.** Increase the annual and daily admission fees by \$4 and \$2. This increase will generate up to \$1,687,400 of additional revenues to the Parks Account.
- D. Campsite Electrification.** Raise the statutory cap on the number of state park campsites that have electrical receptacles from 30 percent to 75 percent. This increase will generate an additional \$1,810,900 annually.

Long-term Recommendations

- E. Individual State Park Admission Pass.** Create an individual park admission pass that would replace the current vehicle admission sticker and state trail pass. This pass would be used to gain access to all state park properties with a variable pricing structure based upon amenities. Revenues could reach \$15 million annually.
- F. Concession Contracts for Indoor Lodging.** Expand indoor lodging authority at state park properties to provide other overnight accommodations for state park users. Indoor lodging would be located in selected state parks and recreation areas by contracting with private lodging suppliers and operators. Lease fees could reach \$405,000 annually.
- G. Intellectual Property Rights and Partnerships** Explore intellectual property rights and partnerships to protect park assets. This may bring an additional \$2,500,000.

Additional Long-term Options

H. State Park Admission Sticker Purchase through Annual Vehicle Registrations.

Enable a new park admission system by which an annual park entrance admission can be purchased voluntarily through the annual motor vehicle registration process administered by the Department of Transportation. With a price range of \$10 to \$15, about 1.1 million vehicles would need to opt-in to generate up to \$14 million annually.

As shown in Table 7, a number of short- and long-term actions exist to improve Parks Account revenue. In the short-term, total projected revenues reflect current ongoing funding streams with the addition of new revenues. These short-term projections can move the Parks Account to a stronger balance sheet.

Long-term total projected revenues reflect a new income stream that will require a shifting of current revenue collection methods to a new model. These new business models reflect the ongoing demographic and social trends that continue to influence how state parks are enjoyed for future generations.

Table 7: Summary of Projected Revenue Options

<u>Short-Term Recommendations</u>	<u>Current Base</u>	<u>Projected Income</u>	<u>Projected Total</u>
A. Demand-Based Campsite Pricing	\$6,800,500	\$1,454,100	\$8,254,600
B. Demand-Based Park Admission Pricing	\$6,964,900	\$1,446,000	\$8,430,900
<u>Additional Short-Term Considerations</u>			
C. Admission Fee Increase	\$6,964,900	\$1,687,400	\$8,625,300
D. Campsite Electrification	\$6,800,500	\$1,810,900	\$8,611,400
<hr/>			
<u>Long-Term Recommendations</u>	<u>Current Base</u>	<u>Projected Income</u>	<u>Projected Total</u>
E. Individual State Park Admission Pass	-	\$15,585,000	\$15,585,000
F. Indoor Lodging Concessions	-	\$ 405,000	\$ 405,000
G. Intellectual Property Rights and Partnerships	-	\$ 2,500,000	\$ 2,500,000
<u>Additional Long-Term Considerations</u>			
H. Admission Purchase through Annual Vehicle Registrations	-	\$14,081,700	\$14,081,700

Appendixes

Appendix A: Parks Account Table

Appendix B: 2015 Wisconsin Act 55, Section 9132 (4f)

Appendix C: References

Appendix A - Parks Account Table

	Actual 2013-14	Actual 2014-15	Act 55 Estimate 2015-16	Act 55 Estimate 2016-17
Opening Balance	\$5,310,000	\$6,550,600	\$7,794,800	\$5,206,300
Revenue:				
Park and Trail Admissions	\$9,058,000	\$8,238,200	\$8,815,000	\$9,190,000
Camping	\$6,757,500	\$7,066,400	\$7,310,000	\$7,345,000
All Other Revenue	\$993,400	\$1,268,200	\$980,000	\$980,000
Total Revenue	\$16,808,900	\$16,572,800	\$17,105,000	\$17,515,000
Total Available	\$22,118,900	\$23,123,400	\$24,899,800	\$22,721,300
Expenditures:				
Parks and Recreation Program Operations	\$11,786,700	\$11,571,100	\$15,582,500	\$15,582,500
Campground Reservation Fees	\$927,200	\$1,029,600	\$958,600	\$958,600
Administration & Technology Services	\$930,100	\$909,500	\$1,043,800	\$1,048,400
Customer Assistance & Licensing	\$303,700	\$249,300	\$283,500	\$296,100
Division Management & Bureau Operations	\$966,300	\$932,700	\$976,300	\$976,300
Debt Service, Maintenance & Development	\$564,900	\$535,400	\$759,900	\$785,500
Taxes and Assessments	\$42,700	\$46,300	\$76,800	\$76,800
Tourism Appropriation	\$12,100	\$9,500	\$12,100	\$12,100
All Other	\$34,600	\$45,200	\$0	\$0
Total Expenditures	\$15,568,300	\$15,328,600	\$19,693,500	\$19,736,300
Cash Balance	\$6,550,600	\$7,794,800	\$5,206,300	\$2,985,000
Encumbrances/Continuing Balances*	\$900,300	\$755,300	\$900,300	\$900,300
Available Balance	\$5,650,300	\$7,039,500	\$4,306,000	\$2,084,700
Revenue Minus Expenditures	\$1,240,600	\$1,244,200	(\$2,588,500)	(\$2,221,300)

*Includes amounts encumbered (committed, but not yet paid) as well as continuing balances from certain appropriations (such as rental property maintenance and camping reservation system payments) that are not available for general appropriations.

Source: Legislative Fiscal Bureau. Parks Funding and Fee Increase (DNR -- Parks and Forestry). LFB 2015-17 Budget Summary: Page 312, #1. Paper #461. May 7, 2015.

Appendix B - 2015 Wisconsin Act 55, Section 9132 (4f)

2015 Wisconsin Act 55, Section 9132 (4f)

(b) The department shall study options for additional sources of revenue for operating and maintaining state parks. The department shall study at least all of the following options:

1. Using revenue generated from a program under which a person may voluntarily purchase a state park vehicle admission sticker when the person registers a vehicle with the department of transportation.

2. Using revenue generated from increased camping fees at state parks based on local market conditions or seasonal demand, based on the amenities or facilities offered by a park, or based on other features or conditions of a park.

(c) The department shall prepare a report containing the results of its study conducted under paragraph (b). The report shall include revenue estimates from the options studied under paragraph (b) and shall include recommendations for closing the structural imbalance between the revenue generated from state park and camping fees and the cost to operate and maintain state parks.

(d) The department shall submit the report under paragraph (c) on or before December 1, 2016, to the joint committee on finance, the governor, and the appropriate standing committees of the legislature, as determined by the speaker of the assembly and the president of the senate, in the manner provided under section 13.172 (3) of the statutes.

Appendix C - References

- National Association of State Park Directors. 2016. **Statistical Report of State Park Operations: 2014-2015**. Volume 37. The National Association of State Park Directors. Raleigh, NC.
- Wisconsin Department of Natural Resources. 2015. **Wisconsin State Park System 2015-2020 Strategic Directions**. Madison, Wis.: WDNR Bureau of Parks and Recreation.
- Prey, J., D.W. Marcouiller, and D. Kim. 2013. **Economic impacts of the Wisconsin State Park System: Connections to Gateway Communities**. Wisconsin Department of Natural Resources Report PR-487-2013. Madison, Wis.: WDNR Bureau of Parks and Recreation.
- Wells, M. **Paying for State Parks: Evaluating Alternative Approaches**. 2013. Resources for the Future. Washington D.C.
- Wisconsin Department of Natural Resources. 2012. **The 2011-2016 Wisconsin Statewide Comprehensive Outdoor Recreation Plan**. Wisconsin DNR PUB PR-027-2012. Madison, Wis.: WDNR Bureau of Parks and Recreation.
- Kazmierski, B, M. Kornmann, D. Marcouiller, and J. Prey. 2009. **Trails and their gateway communities**: A case study of recreational use compatibility and economic impacts. Cooperative Extension Monograph 3880, Board of Regents of the University of Wisconsin System, Madison, Wis..
- Marcouiller, D.W., E.F. Olson, and J. Prey. 2002. **State parks and their gateway communities**: Development and recreation planning issues in Wisconsin. Cooperative Extension Monograph G3773, Board of Regents of the University of Wisconsin System, Madison, Wis..
- Wisconsin State Parks Blue Ribbon Task Force. 1994. **State parks funding: alliances for our future: report of the Wisconsin State Parks Blue Ribbon Task Force**. Final report. Madison, Wis.